Supreme Court, U.S.
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No. 04-1559

In The

Supreme Court of the United States

RATES TECHNOLOGY INC.,

Petitioner,

v.

NORTEL NETWORKS CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED FOR REVIEW

1. Especially since at least one court of appeals has said that federal law on this issue "appears to be in disarray", should this Court resolve the conflict between circuits as to whether a defendant waives objections to personal jurisdiction by filing a permissive counterclaim against the plaintiff?

2. Did it violate the plaintiff's due process rights for the district court to set a deadline for the plaintiff to move to add additional defendants, and then dismiss the case before that deadline had passed and without any notice to the plaintiff?

3. Did it violate the plaintiff's due process rights for the district court to stay discovery while a hearing date was pending for the magistrate to review whether the defendant had adequately responded to jurisdictional discovery, and then dismiss the case without such review?

PARTIES TO THE PROCEEDING

The parties to the proceeding are:

Rates Technology Inc., a corporation;

Nortel Networks Corporation, a corporation; and

Nortel Networks, Inc., a corporation.

CORPORATE DISCLOSURE

Petitioner Rates Technology Inc. is a closely held corporation.

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Rates Technology Inc. v. Nortel Networks Corp., 399 F.3d 1302, 73 U.S.P.Q.2d 1904 (Fed. Cir. 2005)

BASIS FOR SUPREME COURT JURISDICTION

The Court of Appeals for the Federal Circuit entered its judgment on February 17, 2005. App. 1. Petitioner Rates Technology Inc. ("RTI") seeks review of that judgment on a writ of certiorari. The present petition is timely filed under 28 U.S.C. §2101(c) and under Rule 13.1 of this Court.

This Court has jurisdiction under 28 U.S.C. §1254(1) to review on a writ of certiorari the judgment of a federal court of appeals.[1]

CONSTITUTIONAL PROVISION INVOLVED IN THE CASE

Constitution of the United States, Amendment XIV, Due Process Clause.

STATEMENT OF THE CASE

This proceeding involves issues of exceptional importance, including a conflict between circuits and questions

[1] "App." citations are to the attached Appendix, and "R" citations are to the corrected appellant's appendix in the record on appeal.

about basic due process. The two basic questions in this petition are:

(1) Whether this Court should resolve the conflict between circuits about whether filing a permissive counterclaim waives jurisdictional objections (Issue No. 1 – *see* 6 Wright, Miller & Kane, *Federal Practice and Procedure* §1416, at p. 125 (1990)), and

(2) Whether a district court can vacate previously-set discovery and motion deadlines without any notice whatsoever, so as to deprive a plaintiff of due process. Issues Nos. 2 & 3 – *see City of Los Angeles v. David,* 123 S.Ct. 1895, 1896-97 (2003).

These aren't minor procedural issues, but instead go to the heart of a plaintiff's – any plaintiff's – ability to pursue litigation, and "to be heard at a meaningful time and in a meaningful manner." *Id.* Granting a writ of certiorari to resolve these issues will restore harmony to the Circuits, and preserve fundamental notions of ordered government and due process, as detailed below.

Petitioner RTI owns the rights to U.S. Patent Number 4,209,668 (the "'668 Patent") for an invention entitled TELEPHONE HAVING REITERATIVE DIALING FEATURE. *See* R25-28 & 46-49 (Complaint and First Amended Complaint). It filed this patent infringement lawsuit on the '668 Patent against respondent Nortel Networks Corporation ("NNC") in the Eastern District of New York in late 2002. R24.

Since the Nortel entities which had engaged in the infringing conduct apparently no longer existed because of various corporate reorganizations (such as "Northern Telecom, Inc.", *see* R142-49), RTI alleged that the surviving

entity NNC was liable for the infringing conduct of its predecessor corporations, who supplied infringing telephone switches to phone companies such as Verizon, which then used those products to offer infringing services to their own customers, including repeat dialing services for telephones, fax machines, and computer internet connectors. R25-28, 46-49 (Complaint and First Amended Complaint).[2]

NNC filed an amended answer to RTI's claims, and also a counterclaim, on November 15, 2002. R77-91. Notably, although RTI had sued only for infringement claims relating to RTI's '668 patent (R25-28, 46-49), NNC's counterclaim alleged a permissive unfair competition claim against RTI, and also permissive declaratory relief claims relating to different patents – *i.e.*, RTI's '085 and '769 patents – which weren't at issue in RTI's pleadings. R86-89.

NNC then moved to dismiss RTI's amended complaint on December 3, 2002, on jurisdictional and other grounds. RTI timely opposed NNC's motion, and also promptly sought discovery about the identity of the successors-in-interest of the entities which had infringed RTI's '668 Patent. As noted above, a central issue in this case was the question of which surviving Nortel entity was responsible for the allegedly infringing conduct during the life of the '668 Patent by various "Nortel" and "Northern Telecom" entities which apparently no longer exist because of corporate reorganizations, and RTI's pleadings alleged

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[2] RTI also sued Verizon on similar infringement claims (R47-49), but Verizon settled with RTI (*see* R92), and is no longer a party to this case.

that the surviving entity NNC was liable for the infringing conduct of these predecessor corporations. R25-28, 46-49.

NNC disputed this issue, but its corporate structure was confusing at best. NNC's lawyer explained at the appellate oral argument "that Nortel Networks Corporation, NNC, is a Canadian holding company who owns 100% of the Canadian operating company Nortel Networks Limited, NNL, and that company owns 100% of U.S. operating company Nortel Networks, Inc., NNI" (App. 48), prompting the following exchange:

> "Judge Rader: Why can't this court look past some of the technicalities and say look, they were trying to sue Nortel, they got close enough?
>
> "Mr. Gittes: There was no personal jurisdiction over NNC at any time, your honor.
>
> "Judge Rader: That's not really the question I asked. Of course, I'm taking that into account, and I'm saying, why didn't they, why can't we in a sense kind of pierce through these multiple layers of corporate governments and say they were suing Nortel, didn't they get close enough?
>
> "Mr. Gittes: Well, they did not get close enough, they would have had to sue NNI which they were invited to. . . ."

Id. at 48-49 (ellipse in original).

However, although NNC's counsel said that RTI had been "invited" to sue the "NNI" subsidiary (*id.*), NNC's corporate designee testified under oath at his deposition that the current "NNI" was not the same company as the subsidiary "Northern Telecom, Inc." which had sold accused products in New York during the applicable time

period, and which apparently also changed its name to "Nortel Networks, Inc." R142 & 143-48 (deposition transcript). NNC's designee also testified that he did not know whether "NNI" had divested assets or potential liabilities or obligations during its numerous "acquisitions, divestitures, internal reorganizations, [and] downsizing[s]" over the years. R148-49.

In view of the confusion surrounding NNC's relationship with these apparently different and/or no longer existing companies, the magistrate entered several orders dealing with NNC's jurisdictional objections:

First, she ordered NNC to provide jurisdictional discovery to allow RTI to respond to NNC's motion to dismiss, and to determine which surviving entity (or entities) was responsible for the predecessor Nortel companies' conduct, including "Nortel entities beyond the actual holding company." App. 18, 22-23. She also set a hearing for October 9, 2003, to monitor NNC's (and RTI's) compliance with her discovery orders. App. 19; and

Second, although her scheduling order generally provided for "joinder of additional parties" by June 24, 2003 (*see* App. 17), she ordered that "this question may be re-visited after [District Court] Judge Wexler's resolution of outstanding dismissal motions," and she specifically ordered that RTI would be allowed to move to join or add additional parties within 30 days after the pending Rule 12 motions were decided (*id.*) – which deadline (as noted below) did not expire until early the following year, 2004.

Meanwhile, as the magistrate was sorting through these discovery issues, the district court suddenly entered an order adjourning the discovery magistrate's October 9

discovery hearing and staying all discovery (R96), and eventually set a hearing date on the pending motions for December 3, 2003.

At the December 3 hearing, the district court granted NNC's jurisdictional motion and dismissed RTI's amended complaint – without giving RTI an opportunity to move to join or add additional parties as provided by the scheduling order, and also without allowing RTI to pursue the jurisdictional discovery previously ordered by the magistrate. R161-N; *see* App. 41-46 (Order dated December 4, 2003). RTI timely appealed, and the Court of Appeals for the Federal Circuit entered its judgment affirming the dismissal on February 17, 2005. App. 1.

As detailed below, the lower courts' errors have allowed one of the largest multinational companies in the world – telecommunications giant Nortel – to get away with infringing a small company's hard-won patent rights to an important invention, which its predecessor companies had effectively been stealing for years. Certiorari should be granted to restore harmony to the Circuits, and to preserve basic notions of due process.

ARGUMENT

A. BY HOLDING THAT FILING A PERMISSIVE COUNTERCLAIM DOES NOT WAIVE JURISDICTIONAL OBJECTIONS, THE COURT OF APPEALS DECISION CONFLICTS WITH OTHER COURTS' DECISIONS

A leading commentator has explained that "courts have held that when a defendant asserts a permissive counterclaim, he indicates a desire to use the forum for his

own objectives and should not be permitted simultaneously to object to plaintiff's claim on the grounds of personal inconvenience." Wright & Miller, *supra*, §1416 at p. 125 (emphasis added). Similarly, the First Circuit has explained that "[t]he requirement that a court possess in personam jurisdiction is a shield to protect the interests of an affected defendant – and, like most shields, can be discarded by the bearer." *General Contracting & Trading Co. v. Interpole, Inc.*, 940 F.2d 20, 25 (1st Cir. 1991). Thus, it only follows that when "a plaintiff [has] purposefully availed itself of the benefits and protections of the forum," it "voluntarily submit[s] itself to the jurisdiction of [that forum's] courts." *Id.*

Indeed, the Federal Circuit has itself favorably cited the First Circuit's *Interpole* case, as holding that "a defendant that invokes the jurisdiction of a court as a plaintiff waives its personal jurisdiction defense in all actions related to the claim for which it invoked the court's jurisdiction." *Frank's Casting Crew & Rental Tools, Inc. v. PMR Technologies, Ltd.*, 292 F.3d 1363 (Fed. Cir. 2002), citing *Interpole, supra*, 940 F.2d at 25. *Accord, Beaunit Mills, Inc. v. Industrias Reunidas F. Matarazzo, S.A.*, 23 F.R.D. 654 (S.D.N.Y. 1959) (filing a permissive counterclaim waives jurisdictional objections). *See generally Cargill, Inc. v. Sabine Trading & Shipping Co.*, 256 F.2d 224, 229-30 (2d Cir. 1985) (finding that defendant's counterclaim arose from the method by which plaintiff obtained jurisdiction, and therefore did not waive objections to personal jurisdiction); *Hamilton v. Atlas Turner, Inc.*, 197 F.3d. 58, 60-63 (2d Cir. 1999), *cert. denied*, 530 U.S. 1244 (2000) (reversing dismissal of complaint for lack of personal jurisdiction, where the defendant forfeited the defense through its active participation in the lawsuit); *Trustees v. Lowery*, 924

F.2d 731, 732-33 (7th Cir. 1991) (finding that personal jurisdiction defense had been waived).

In other words, although the appellate panel went to some length to distinguish the facts of these other cases (App. 12-13; 399 F.3d at 1308-09), it's only logical that if a defendant raises new issues in a permissive counterclaim – as NNC did here, when it sued RTI for unfair competition, and for declaratory relief on two new patents which were not addressed in RTI's patent infringement lawsuit against NNC, and then persued these permissive claims, including by taking discovery (*see* App. 22) – NNC "should not be permitted simultaneously to object to plaintiff's claim on the grounds of personal inconvenience." Wright & Miller, *supra*, §1416 at p. 125. Thus, "courts have held that when a defendant asserts a permissive counterclaim, he indicates a desire to use the forum for his own objectives." *Id.*

In contrast, the appellate panel in this case unequivocally held that "filing a counterclaim, compulsory or permissive, cannot waive a party's objections to personal jurisdiction, so long as the requirements of Rule 12(h)(1) [to object to jurisdiction] are satisfied." App. 10-12; 399 F.3d at 1308, citing *Bayou Steel Corp. v. M/V Amstelvoorn*, 809 F.2d 1147, 1149 (5th Cir. 1987); *Gates Learjet Corp. v. Jensen*, 743 F.2d 1325, 1330 (9th Cir. 1984); and *Chase v. Pan-Pac. Broad., Inc.*, 750 F.2d 131, 132 (D.C. Cir. 1984).

There is not just a conflict between Circuits, since the Second Circuit has observed that "federal law on this issue appears to be in disarray" (*Cargill, supra*, 756 F.2d at 229), and so RTI respectfully submits that this Court should rule on this basic procedural issue, *i.e.*, whether "when a defendant asserts a permissive counterclaim, he indicates a desire to use the forum for his own objectives.," and therefore "should not be permitted simultaneously to object to plaintiff's claim on

the grounds of personal inconvenience." Wright & Miller, *supra*, §1416 at p. 125. RTI agrees with the First Circuit, that "the cases holding that service of a counterclaim will not undercut a preserved jurisdictional defense are premised on an assumption not present in this case: that the counterclaim is put forward as a conditional position and will not be independently pressed if the primary action is dismissed for lack of personal jurisdiction. *Interpole, supra*, 940 F.2d at 25. "[T]his case perches at precisely the opposite end of the spectrum" (*id.*), since NNC did not plead its permissive counterclaim in the alternative, nor did it allege that it was only pursuing its counterclaim as a conditional position – especially since it took extensive discovery on these permissive claims. R70-74, 83-89, 121.

Thus, although "courts should not ordinarily treat counterclaims – at least compulsory counterclaims – as waivers of jurisdictional objections" (940 F.2d at 24), NNC raised permissive counterclaims against RTI, failed to allege them in the alternative or as a conditional position, and took discovery on them, so it "should not be permitted simultaneously to object to plaintiff's claim on the grounds of personal inconvenience." Wright & Miller *supra*, §1416 at p. 125.

Allowing this issue to remain unresolved invites arbitrary rulings. For example, the appellate panel in this case "appl[ied] our own law, not that of the regional [Second C]ircuit, to issues of personal jurisdiction in a patent infringement case." App. 9; 399 F.3d at 1307, citing *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1358 (Fed. Cir. 1998). In doing so, the appellate panel ignored the New York federal decision in the *Beaunit Mills* case, 23 F.R.D. 654 – which held that when a defendant asserts a permissive counterclaim, it indicates a desire to use the forum for his own objectives and waives jurisdictional objections – and also the

Second Circuit's decision in *Cargill*, even though NNC's unfair competition permissive counterclaim against RTI would normally have been subject to Second Circuit standards of review rather than those of the Federal Circuit, and was only subject to Federal Circuit review because RTI's underlying complaint had sued for patent infringement.

In other words, by filing its permissive counterclaim in a New York federal court, NNC would normally have waived its jurisdictional objection under the *Beaunit* case, but it was allowed to maintain that objection only because RTI's underlying complaint alleged patent law issues.

Such arbitrary application of conflicting rules of law is exactly the sort of thing that having national Federal Rules of Civil Procedure was intended to prevent, which is why "federal law on this issue appears to be in disarray." *Cargill, supra*, 756 F.2d at 229. The reported decision in this case adds to that disarray, and RTI therefore asks this Court to accept this issue, and to approve those "courts [who] have held that when a defendant asserts a permissive counterclaim, he indicates a desire to use the forum for his own objectives and should not be permitted simultaneously to object to plaintiff's claim on the grounds of personal inconvenience." Wright & Miller, *supra*, §1416 at p. 125.

B. THE COURT OF APPEALS DECISION ALSO VIOLATED RTI'S DUE PROCESS RIGHTS, BY FAILING TO ADDRESS THE DISTRICT COURT'S DECISION TO DEPRIVE RTI OF ITS RIGHT TO MOVE TO JOIN ADDITIONAL DEFENDANTS UNDER THE PRIOR SCHEDULING ORDER

As noted above, in view of the confusion surrounding NNC's relationship with the different and/or no longer

existing "Nortel" companies, the magistrate's scheduling order generally provided for "joinder of additional parties" by June 24, 2003 (App. 17), but said "this question may be revisited after Judge Wexler's resolution of outstanding dismissal motions." *Id.* She also specifically ordered that RTI would be allowed to move to join or add additional parties within 30 days after NNC's pending Rule 12 motions were decided (*id.*) – which didn't happen until December 3, 2003. R161-N; *see* App. 41-46 (Order dated December 4, 2003). In other words, under the scheduling order governing this case, upon which RTI relied, RTI should have had 30 days after December 3, 2003 – or until January 2, 2004 – to be able to file a motion to join or add additional parties (such as NNI), if the district court dismissed its claims against NNC.

Yet at the December 3 hearing, the district court dismissed this lawsuit altogether, and did not allow RTI to move to join or add additional parties as provided by the scheduling order. *Id. See also* App. 20 ("The Clerk of this Court is ordered to terminate all motions and to close the file in this case."). This violated RTI's due process rights, since RTI had rightfully relied upon the prior scheduling order, which specifically allowed RTI to wait until after the district court ruled on NNC's jurisdictional motion, before RTI had to move to add new defendants such as NNI. Moreover, at the December 3 hearing, NNC's counsel stated in oral argument that NNI had sold the allegedly infringing products in New York (R161-K), and so there was no jurisdictional issue as to NNI. By suddenly taking away RTI's right to move to add NNI (or other potential defendants), *without notice*, the district court deprived RTI of its basic due process right to be heard by filing a motion

as previously allowed by the scheduling order. *See City of Los Angeles v. David, supra,* 123 S.Ct. at 1896.[3]

Amazingly, the appellate panel did not even address this issue, but instead merely said that RTI missed its "June 24, 2003 deadline for joining additional parties without leave of court. The proper course of conduct for RTI would have been to seek leave of the district court to join NNI as a defendant to the suit prior to the June 24 cutoff." App. 14; 399 F.3d at 1309. But the "June 24 cutoff" did not relate to the scheduling order's proviso that RTI would be allowed to move to join or add additional parties within 30 days after NNC's Rule 12 motion was decided (App. 17) – which deadline did not expire until January 2, 2004, as noted above.

Because RTI was pursuing jurisdictional discovery before the magistrate, it rightfully waited until the scheduling order's January 2, 2004 deadline to move to add additional parties, and should not have been forced to deal with the June 24, 2003 deadline as the only applicable deadline on

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[3] Refusing to allow RTI to move to add NNI as a defendant was especially improper because RTI had previously sued NNI by means of a counterclaim responsive to NNC's counterclaim – showing that RTI wanted to bring in NNI as a party. R110-18. *See BMI v. Hearst*, 746 F.Supp. 320, 330 (S.D.N.Y. 1990) (noting that a counterclaimant may sue a new party which is related to an existing party in its counterclaim).

Yet at the December 3 hearing, the district court not only dismissed RTI's amended complaint, but – apparently as an after-thought – also dismissed RTI's counterclaim without notice, *even though nobody had even moved to dismiss that pleading*. As the district court hearing transcript shows, RTI's counsel was in the midst of arguing NNC's motion to dismiss RTI's amended complaint, when the district court judge suddenly shut down his argument mid-sentence, told him to file an appeal ("Go back to the Second Circuit"), abruptly announced that the court was "dismissing it [the amended complaint] *and the counterclaims*," and walked out of the courtroom. R161-N (emphasis added). *See* App. 41-46 (Order dated December 4, 2003).

an after-the-fact basis. Indeed, the appellate panel's refusal even to address this issue was a violation of RTI's due process rights. *See Chudasama v. Mazda Motor Corp.*, 123 F.3d 1353, 1365 (11th Cir. 1997) ("a court of appeals simply has no power to limit its jurisdiction to certain issues").

The bottom line is that the district court's decision to deprive RTI of its right under the scheduling order to move to join or add additional parties by January 2, 2004, without notice; and the appellate panel's refusal to address this issue at all, both violated RTI's fundamental due process right "to be heard at a meaningful time and in a meaningful manner." *See City of Los Angeles, supra,* 123 S.Ct. at 1897.

C. THE COURT OF APPEALS DECISION FURTHER VIOLATED RTI'S DUE PROCESS RIGHTS, BY FAILING TO ADDRESS THE DISTRICT COURT'S REFUSAL TO ALLOW RTI TO TAKE ADEQUATE JURISDICTIONAL DISCOVERY

As noted above, because of the questions about NNC's relationship with the apparently different and/or no longer existing "Nortel" companies, the magistrate ordered NNC to provide documents and interrogatory answers relating to the allegedly infringing products at issue in this lawsuit and "Nortel entities beyond the actual holding company" (App. 22-23), and set a follow-up hearing for October 9, 2003 to monitor NNC's (and RTI's) compliance with her discovery orders. App. 19.

This was because RTI's primary jurisdictional argument was that NNC was subject to the district court's jurisdiction on a successor-in-interest theory, *i.e.*, that it was subject to personal jurisdiction as a successor-in-interest to prior companies who had engaged in the

alleged infringing activity within New York. *E.g.*, R44-45 (First Amended Complaint ¶2, alleging that NNC was the successor-in-interest of "its predecessor ccmpany Northern Telecom"). *See A. Stucki Co. v. Shwam*, 638 F.Supp. 1257 (E.D. Pa. 1986) (holding that a plaintiff may sue a successor-in-interest for its predecessors' patent infringement).

Yet far from providing any real information to RTI as directed by the magistrate, NNC's court-ordered discovery responses generally merely identified the seller or manufacturer of the infringing products as "Nortel" or "Northern Telecom" – thus making it impossible for RTI to determine the identities of the responsible legal entities. R107-08, 109 (Hicks Decl. ¶2 & Gleason Decl. ¶2).

Thus, NNC violated the magistrate's discovery orders, and RTI planned to follow up on NNC's incomplete discovery responses at the October 9, 2003 discovery hearing before the magistrate (R107, Hicks Decl. ¶3), but it was prevented from doing so because that hearing was vacated by the district court at the same time that it stayed discovery generally. App. 30 (Order dated Sept. 15, 2003).

The district court's decision to prevent RTI from following up on necessary jurisdictional discovery violated RTI's fundamental due process right "to be heard at a meaningful time and in a meaningful manner." *See City of Los Angeles, supra,* 123 S.Ct. at 1897. As the district court itself had explained in one of its prior rulings on NNC's jurisdictional motion, "A motion to dismiss is properly granted only if 'it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief' ":

> "When ruling on a motion to dismiss, the court must accept as true all factual allegations in the complaint. All reasonable inferences must be

> drawn in favor of the non-moving party. It is not for the court to 'weigh the evidence that might be presented at trial; the Court must merely determine whether the complaint itself is legally sufficient. . . .'"

App. 36 (citing *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957), and other cases).

Thus, as the district court noted, "A motion for lack of personal jurisdiction may be defeated by the good faith pleading of 'legally sufficient allegations of jurisdiction.'" *Id.* Although it went on to say a different standard applies "where the parties have engaged in discovery," and that under such circumstances "the plaintiff's prima facie showing must be 'factually supported'" (App. 37), all the cases are clear that a plaintiff cannot be restricted to just "engaging in discovery," but must instead be allowed to take *sufficient* jurisdictional discovery. *E.g., Data Disc, Inc. v. Systems Tech. Assocs.*, 557 F.2d 1280, 1285-86 (9th Cir. 1977). *Accord, Chudasama, supra*, 123 F.3d at 1367 (noting that a motion to dismiss for lack of personal jurisdiction may require limited discovery before a ruling can be made); *Sames v. Gable*, 732 F.2d 49, 52 (3d Cir. 1984) (reversing judgment entered against plaintiff without reasonable discovery); *Keller v. Niskayuna Cons. Fire Dist. 1*, 51 F.Supp.2d 223, 226 (N.D.N.Y. 1999) (reversing dismissal where plaintiff had not completed discovery).

In this case, RTI was prevented from taking discovery which the magistrate had actually ordered against NNC. Thus, although NNC had filed a conclusory declaration claiming that it was "not the successor in interest to any company that manufactured, used or sold the products accused of infringement in this action" (*see* App. 4), its

claim was belied by its steadfast refusal to provide discovery to reveal the identities of such company or companies, or NNC's relationship with them. *E.g.*, R107-08 (Hicks Decl. ¶2), and R109 (Gleason Decl. ¶2).

Although the magistrate had ordered NNC to provide documents and interrogatory answers relating to the allegedly infringing products at issue in this lawsuit and "Nortel entities beyond the actual holding company" (App. 22-23), and set a follow-up hearing to monitor NNC's compliance with her orders (App. 19), NNC's discovery responses just identified the seller or manufacturer of the allegedly infringing products as "Nortel" or "Northern Telecom" – thus making it impossible for RTI to determine the identities of the responsible legal entities, and violating the magistrate's discovery orders by failing to provide basic evidence about the Nortel and Northern Telecom entities' relationships with NNC. R107-09.

Under these circumstances, the district court should have allowed the magistrate to enforce her discovery orders against NNC at the October 9 hearing – and in any event, it clearly did not "appear beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief" (App. 36, citing *Conley, supra*, 355 U.S. at 45-46), so NNC's jurisdictional motion should have been denied, so that RTI could have a chance to get the magistrate to enforce her discovery orders against NNC. *Data Disc, supra,* 557 F.2d at 1285-86 (a plaintiff must be allowed to take sufficient jurisdictional discovery); *Sames, supra*, 732 F.2d at 52 (reversing judgment entered against plaintiff without reasonable discovery);

Keller, supra, 51 F.Supp.2d at 226 (reversing dismissal where plaintiff had not completed discovery).[4]

The appellate panel did not really address this issue either, saying that "RTI points to no adverse discovery ruling by the district court, particularly no denial of any motion to enlarge discovery or compel production [and so]

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[4] RTI further notes that, based on NNC's limited discovery responses, RTI posited to the district court that NNC could also be subject to personal jurisdiction on two other, alternative legal theories:

First, entities using the "Nortel" or "Northern Telecom" names had sold accused products into New York during the applicable time period (*see* R142 & 143-48, deposition transcript), and NNC could be liable for the infringing conduct of those affiliates' infringing activities under the "Nortel" and "Northern Telecom" trade names. *See In re Golden Distributors, Ltd.*, 134 B.R. 766, 769 (S.D.N.Y. 1991) (holding corporation liable for sales made under a trade name); and

Second, NNC admitted that a company called Northern Telecom, Inc. had sold accused products in New York during the applicable time period (R142 & 143-48, Powers deposition transcript), and although it later changed its name to "Nortel Networks, Inc.", it was not the same company as the current "NNI" company. R145-47 (deposition transcript). Because NNC's allegedly most knowledgeable witness swore under oath at his deposition that he did not know whether that company had divested assets or potential liabilities or obligations during its numerous "acquisitions, divestitures, internal reorganizations, [and] downsizing[s]" since 1998 (R148-49), NNC could also be liable under a traditional alter ego theory if it divested Northern Telecom's assets or potential liabilities after it received notice of RTI's patent claims. *Trustees v. Hudson*, 871 F.Supp. 631, 639 (S.D.N.Y. 1994) (applying federal common law to alter ego claim under federal statute, rather than state law).

Thus, it did not "appear beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief" (App. 36, citing *Conley, supra*, 355 U.S. at 45-46), and the district court improperly dismissed RTI's amended complaint for these additional reasons as well, since RTI never had a chance to get the magistrate to enforce her discovery orders against NNC, and to use that new information to develop these additional personal jurisdictional theories. *Data Disc, supra*, 557 F.2d at 1285-86.

no discovery issue is properly before us on appeal." App. 15-16; 399 F.3d at 1310. The appellate panel therefore just ignored the magistrate's orders that NNC provide documents and interrogatory answers relating to the infringing products at issue (App. 22-23); her order setting a hearing to monitor NNC's compliance with her discovery orders (App. 19); NNC's violation of these discovery orders, by identifying the seller or manufacturer of the infringing products as "Nortel" or "Northern Telecom", and so making it impossible for RTI to determine the identities of the responsible legal entities (R107-08, 109); and the district court's decision to vacate the magistrate's discovery compliance hearing and to stay all discovery. App. 30.

But as noted above, "a court of appeals simply has no power to limit its jurisdiction to certain issues" (*Chudasama, supra*, 123 F.3d at 1365), and the appellate panel therefore compounded the district court's violation of RTI's basic due process right, "to be heard at a meaningful time and in a meaningful manner." *See City of Los Angeles, supra,* 123 S.Ct. at 1897.

CONCLUSION

As noted above, the errors below have allowed a huge multinational company – telecommunications giant Nortel – to infringe a small company's hard-won patent rights to an important invention, which its predecessor companies effectively stole for years. This petition involves issues of exceptional importance since "federal law on this issue [of counterclaims and the waiver of jurisdictional objections] appears to be in disarray" (*Cargill, supra*, 756 F.2d at 229), and this case also "illustrates the mischief that results when

a district court effectively abdicates its responsibility to manage a case." *Chudasama, supra*, 123 F.3d at 1356.

RTI therefore respectfully submits that for all the reasons stated above, this Court should grant a writ of certiorari, and resolve the conflict about whether filing a permissive counterclaim waives jurisdictional objections, and also set a clear precedent that a district court cannot vacate its own previously-set discovery and motion deadlines without notice, so as to deprive a plaintiff of due process. Granting a writ of certiorari to resolve these issues will restore harmony to the Circuits; end the existing "disarray" in federal law; and preserve the fundamental due process right "to be heard at a meaningful time and in a meaningful manner." *City of Los Angeles v. David, supra,* 123 S.Ct. at 1896-97.

Respectfully submitted,

JAMES B. HICKS
Attorneys for Petitioner
Rates Technology Inc.

May 18, 2005

United States Court of Appeals for the Federal Circuit

04-1212

RATES TECHNOLOGY INC.,

Plaintiff-Appellant,

v.

NORTEL NETWORKS CORPORATION,

Defendant-Appellee.

Judgment

(Filed Mar. 21, 2005)

ON APPEAL from the

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

In CASE NO(S). 02-CV-4570

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

AFFIRMED

ENTERED BY ORDER
OF THE COURT

DATED FEB 17 2005

/s/ Jan Horbaly/ka
Jan Horbaly, Clerk

United States Court of Appeals for Federal Circuit

RATES TECHNOLOGY INC.,

Plaintiff-Appellant,

v.

NORTEL NETWORKS CORPORATION,

Defendant-Appellee.

James B. Hicks, Ervin, Cohen & Jessup LLP, of Beverly Hills, California, argued for plaintiff-appellant.

Marvin S. Gittes, Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, P.C., of New York, New York, argued for defendant-appellee. With him on the brief were Richard G. Gervase, Jr. and Carrie Kei Heim.

Appealed from: United States District Court for the Eastern District of New York

Senior Judge Leonard D. Wexler

DECIDED: February 17, 2005

Before MICHEL, *Chief Judge*, RADER and LINN, *Circuit Judges*.

MICHEL, *Chief Judge*.

Rates Technology Inc. ("RTI") appeals the dismissal for lack of personal jurisdiction of its amended complaint for infringement of U.S. Patent No. 4,209,668 ("the '668 patent") against Nortel Networks Corporation ("NNC") and its counterclaim-in-reply for infringement of the same

patent against NNC and against a related but distinct corporation, Nortel Networks, Inc. ("NNI"). The appeal was submitted after oral argument on January 11, 2005. We agree with the district court that NNC, having raised the affirmative defense of no personal jurisdiction in a timely answer, did not, and indeed could not, waive its jurisdictional objections by merely asserting permissive counterclaims against RTI in the same pleading. We further hold that RTI's counterclaim-in-reply against both NNC and NNI was dismissible as an improper pleading, although for different reasons as to each. Accordingly, we affirm the district court's dismissal of the entire action.

BACKGROUND

On August 16, 2002, RTI filed a complaint for infringement of the '668 patent in the United States District Court for the Eastern District of New York. RTI alleged that NNC, a Canadian corporation, is the successor in interest to other Nortel companies, including Northern Telecom, Inc., that infringed the '668 patent. RTI then filed an amended complaint, adding Verizon Communications, Inc. as a codefendant.[1] Although RTI named NNC (not NNI) as a defendant, RTI served its first amended complaint on the designated agent for NNI. On October 14, 2002, counsel for NNC informed RTI that it had served NNI, not a named party to the lawsuit, rather than NNC. Counsel for NNC, however, ultimately accepted service on behalf of its client.

[1] RTI dismissed its claims against Verizon with prejudice on March 25, 2003.

On October 29, 2002, NNC answered the complaint, raising lack of personal jurisdiction as an affirmative defense. NNC also counterclaimed for declaratory judgment of noninfringement, invalidity, and unenforceability of the '668 patent, as well as for unfair competition and patent misuse. In its first amended answer, filed November 15, 2002, NNC again objected to personal jurisdiction, and sought a declaration of noninfringement of two additional RTI patents, U.S. Patent Nos. 5,425,085 ("the '085 patent") and 5,519,769 ("the '769 patent").

After obtaining leave as required by the rules of the trial judge, on January 24, 2003, NNC moved to dismiss RTI's amended complaint, *inter alia,* for lack of personal jurisdiction under Fed. R. Civ. P. 12(b)(2). In a supporting declaration filed with NNC's motion to dismiss, NNC's Assistant Secretary explained that NNC is a Canadian holding company that does not, and did not, manufacture, use, sell, or offer for sale products in the United States. He further declared that NNC is not a successor in interest to any company that manufactured, used, sold, or offered for sale products accused of infringement in this action. Instead, NNC's Assistant Secretary stated that NNC wholly owns Nortel Networks Limited, which, in turn, wholly owns NNI. "All operations of the Nortel Networks companies in the United States," NNC clarified, "are conducted by subsidiaries such as [NNI]."

The parties commenced discovery on February 10, 2003.[2] Nine days later, RTI deposed NNC's designee under Fed. R. Civ. P. 30(b)(6), Donald Powers, an in-house attorney

[2] The district court assigned a Magistrate Judge to preside over discovery matters.

for NNI. Mr. Powers confirmed that NNC, a Canadian holding company, never manufactured or sold any products. Mr. Powers also testified that NNC's predecessor in interest, New Nortel Inc., did not manufacture or sell any products. Mr. Powers further explained that NNI – Nortel Networks Inc., formerly known as Northern Telecom Inc. – may have manufactured or sold at least some of the accused products between 1996 and 1998, the period of alleged infringement. RTI deposed no other NNI employees, although discovery continued into September.

On February 24, 2003, the Magistrate Judge issued a scheduling order setting a deadline of June 24, 2003 for joining additional parties to the suit.[3] Despite Mr. Powers' testimony on February 19, 2003, RTI did not seek to join NNI as a party to the action by the June 24, 2003 deadline.

In early September 2003, the Magistrate Judge scheduled a discovery status conference for October 9, 2003. That conference never transpired, however, because on September 22, 2003, the district court issued an order staying all proceedings and setting oral argument on NNC's January motion to dismiss for lack of personal jurisdiction. The district court's order stressed that, to date, RTI had failed to present any evidence contradicting NNC's Rule 12(b)(2) motion, yet afforded RTI the opportunity to

[3] Although the scheduling order is not part of the record on appeal, the docket sheet in this action indicates the Magistrate ruled that: "Joinder of additional parties due by 6/24/03. Additionally, this question may be re-visited after Judge Wexler's resolution of additional dismissal motions. To [the] extent counts are dismissed and require additional joinder, the parties will have 30 days after decision on these motions to request additional joinder. This latter provision is not intended to lift the 'good cause' standard for joinder motions."

submit any evidence obtained in discovery supporting its allegations of personal jurisdiction over NNC.

On October 15, 2003, RTI filed a supplemental opposition to NNC's motion to dismiss its first amended complaint, again alleging jurisdiction over NNC by virtue of its purported status as a successor in interest to Nortel companies that engaged in infringing activities, despite the uncontradicted testimony to the contrary. RTI further argued that NNC waived its jurisdictional objections by filing permissive counterclaims against RTI in its answer. As Exhibit 1 to its supplemental opposition, RTI attached a purported counterclaim-in-reply for infringement of the '668 patent, naming both NNC and NNI as counterclaim defendants. As to NNC, the counterclaim-in-reply repeated verbatim the infringement allegations in RTI's amended complaint.

RTI did not serve its supplemental opposition, including the attached counterclaim-in-reply, on NNI, a non-party to the proceeding. RTI did serve NNC, which did not respond to the purported counterclaim-in-reply. On December 3, 2003, RTI moved for entry of default judgment against NNC for failing to respond to its counterclaim-in-reply. On the same day, however, after hearing oral argument, the court ruled from the bench, dismissing both RTI's complaint and its purported counterclaim-in-reply.

The court issued its written opinion the next day, December 4, 2003. The district court ruled that NNC did not waive its personal jurisdiction defense, as it had properly raised its jurisdictional objections from the inception of the litigation. The court further ruled that, despite discovery, RTI had presented no evidence to contradict the basic facts testified to by NNC that it is not

the successor in interest to any Nortel entity that made, used, sold, or offered to sell the accused products, but is instead merely a Canadian holding company, one lacking even minimum contacts with the State of New York. Similarly, the court reasoned that even though RTI had long known of NNI's existence, it failed (1) to allege that NNI is a "mere department" of NNC, which, if proven, would provide jurisdiction over NNC, or (2) to properly name and serve NNI as a defendant to the suit. The district court thus concluded that "the successor status of NNI and/or any relationship between NNI and NNC has no relevance to this motion." The court, consequently, dismissed the entire action for lack of personal jurisdiction over NNC.

RTI timely appealed. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

I

The issues on appeal are narrow. RTI does not appeal the district court's determination that it had failed to prove personal jurisdiction over NNC under its "successor in interest" theory. RTI instead challenges the district court's dismissal of its amended complaint and counter-claim-in-reply for three reasons. First, RTI argues the court erred in dismissing its amended complaint, as NNC submitted to personal jurisdiction in the district court by filing permissive counterclaims for declaratory judgment on the '085 and '769 patents. The dismissal was especially improper, RTI claims, because it had no opportunity to take full discovery on the question of personal jurisdiction. Second, RTI contests the district court's dismissal of its

counterclaim-in-reply. RTI argues that it properly "filed its counterclaim against NNC in large part to get past NNC's now-moot jurisdictional motion as to RTI's amended complaint." Accordingly, RTI claims that the district court's *sua sponte* dismissal of that counterclaim-in-reply violated the rules of procedure and its due process rights. Third, RTI contends that the district court's dismissal of claims against NNI was equally improper because a new party may be named as a counter-defendant in a newly-filed counterclaim without leave of court, so long as the claims against that new party relate to a counterclaim against an existing party. RTI argues its claims against NNI were, in fact, identical to its counterclaims against NNC, the existing defendant. Moreover, as the 120-day time period for serving NNI had not yet expired, the district court should have given RTI notice of any intent to dismiss its counterclaim-in-reply against NNI as not timely served, as required by Fed. R. Civ. P. 4(m).

In addition, RTI contends that the district court erred in denying its motion for a default judgment against NNC on its so-called counterclaim. Because NNC simply chose not to respond to RTI's counterclaim and thus cannot show "excusable neglect" to avoid default, RTI argues, the district court was without discretion to decline entry of default judgment.

NNC responds that no jurisdictional waiver occurred. NNC explains that to preserve the defense of lack of personal jurisdiction under the Federal Rules of Civil Procedure, a defendant need only assert it in its first responsive filing, which it did in its answer and amended answer. NNC further argues that RTI's purported counter-claim-in-reply constitutes an improper pleading, wholly duplicative of the amended complaint. What is more, NNC

argues that the counterclaim was never properly filed with the court or served on NNC, but instead was merely attached as an exhibit to a supplemental opposition to NNC's motion to dismiss. With respect to NNI, NNC contends that RTI's counterclaim was untimely filed without leave of court some four months past the June 24, 2003 deadline for joining new parties.

II

We apply our own law, not that of the regional circuit, to issues of personal jurisdiction in a patent infringement case. *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1358 (Fed. Cir. 1998). This court places waiver of personal jurisdiction within the discretion of the trial court, consistent with the trial court's broad authority to manage actions pending before it. *See United States v. Ziegler Bolt & Parts Co.*, 111 F.3d 878, 882 (Fed. Cir. 1997) (citing *Chambers v. NASCO, Inc.*, 501 U.S. 32, 43-46 (1991)). "On appeal, this court defers to the judgment of the trial court on such matters closely associated with the standard functions of the adjudicative process, so long as that judgment is not an abuse of the trial court's discretion." *Id.*

"Because the requirement of personal jurisdiction represents first of all an individual right, it can, like other such rights, be waived." *Ins. Corp. of Ir. Ltd., v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 703 (1982). To this end, Fed. R. Civ. P. 12(h)(1) establishes that

> [a] defense of lack of jurisdiction over the person, improper venue, insufficiency of process, or insufficiency of service of process is waived . . . if it is neither made by motion under this rule nor

> included in a responsive pleading or an amendment thereof permitted by Rule 15(a) to be made as a matter of course.

Rule 12(h)(1) "advises a litigant to exercise great diligence in challenging personal jurisdiction, venue or service of process." 5C Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 1391 (3d ed. 2004). These defenses must be raised "at the time the first significant defensive move is made – whether it be by way of a Rule 12 motion or in a responsive pleading." *Id.*

Here, the parties do not dispute that NNC objected to personal jurisdiction in a timely manner, in its answer and again in its amended answer. Similarly, RTI does not contest that NNC moved to dismiss the amended complaint for lack of personal jurisdiction as soon as it obtained the required leave of the district court, which it promptly sought. Thus, NNC satisfied the requirements of Rule 12(h)(1).

Despite NNC's compliance with Rule 12(h)(1), RTI contends that NNC nevertheless submitted to personal jurisdiction in the district court simply by filing permissive counterclaims. We disagree. We hold that filing a counterclaim, compulsory or permissive, cannot waive a party's objections to personal jurisdiction, so long as the requirements of Rule 12(h)(1) ar atisfied. Indeed, holding to the contrary would effectively eliminate the unqualified right provided by Rule 12(b) of raising jurisdictional defenses either by motion or answer.[4] As the Third Circuit

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[4] *See Frank's Casing Crew & Rental Tools, Inc. v. PMR Techs., Ltd.*, 292 F.3d 1363, 1372 (Fed. Cir. 2002) (noting that personal jurisdiction is not waived "where an unrelated claim is brought as a permissive

(Continued on following page)

stated in *Neifeld v. Steinberg,* 438 F.2d 423, 428-29 (3d Cir. 1971),

> [i]f we were to take the position that a defendant, by raising his jurisdictional defenses in the same pleading in which he asserted a counterclaim, waived his jurisdictional defenses, we would in effect be engrafting a judicial exception to Rule 12(b). We would be requiring a defendant to raise his jurisdictional defenses by motion when he intends to file a counterclaim in his responsive pleading. This requirement would be contrary to the option provided to the defendant in Rule 12(b).

We agree with this view, shared by several of our sister circuits. *See, e.g., Bayou Steel Corp. v. M/V Amstelvoorn,* 809 F.2d 1147, 1149 (5th Cir. 1987) ("We now adopt what we consider to be the better reasoned and prevailing view, and hold that the filing of a counter-claim, cross-claim, or third-party demand does not operate as a waiver of an objection to jurisdiction, whether that objection is raised by motion or answer, provided that the objection is not otherwise waived in the course of the litigation."); *Gates Learjet Corp. v. Jensen,* 743 F.2d 1325, 1330 (9th Cir. 1984) (Rule 12(b) of the Federal Rules of Civil procedure "implicitly authorizes a defendant to join a jurisdictional defense with a counterclaim without waiving this defense."); *Chase v. Pan-Pac. Broad., Inc.,* 750 F.2d 131, 132 (D.C. Cir. 1984) ("The holding that a defendant may not state in an answer both a jurisdictional defense and a counterclaim is inconsistent with the design and purpose of the pleading prescriptions set out in the Federal Rules of Civil

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counterclaim against the plaintiff" if the proper objection is raised by motion or answer).

Procedure."). Nor has any contrary holding of another circuit been cited to us by RTI.[5] Thus, RTI's waiver argument must be rejected.

The cases on which RTI relies are readily distinguishable. In *Hamilton v. Atlas Turner, Inc.*, 197 F.3d 58 (2d Cir. 1999), defendants participated in four years of litigation before moving to dismiss under Rule 12(b)(2). The Second Circuit thus concluded that "Atlas forfeited its defense of lack of personal jurisdiction by participating in extensive pretrial proceedings and forgoing numerous opportunities to move to dismiss during the four-year interval that followed its inclusion of the defense in its answer." *Id.* at 62. Similarly, in *Trustees of Central Laborers' Welfare Fund v. Lowery*, 924 F.2d 731 (7th Cir. 1991), after participating in intensive post-judgment proceedings, defendants moved to vacate the default judgment entered against them six years earlier. *Id.* at 732-33. The defendants claimed that the plaintiff's failure to properly serve them at the beginning of the lawsuit (in 1982) rendered the judgment void. The Seventh Circuit held that the defendants had waived their Rule 12(h)(1) objections, explaining that "[t]he

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[5] RTI's reply brief references *General Contracting & Trading Co. v. Interpole, Inc.*, 940 F.2d 20 (1st Cir. 1991), in support of its waiver argument. RTI's invocation of *Interpole* is wholly misplaced as that case involved a third-party defendant, Trastco, who objected to personal jurisdiction in the New Hampshire district court, yet filed a new suit in the same court based on the same transaction as the original complaint and third-party complaint. *Id.* at 21. Holding that Trastco submitted itself to jurisdiction in New Hampshire, the *Interpole* court specifically rejected Trastco's argument that it did not waive jurisdictional objections in the first suit by bringing the second because the second suit was essentially a counterclaim. *Id.* at 24. "We reject the contention that being a plaintiff in an independent, later-filed suit is, or should be treated as, the functional equivalent of being a counter-claimant." *Id.*

conduct engaged in by both the defendants and their attorney over a six year period indicated to the plaintiffs that service had been properly effectuated and that no such defense would be raised." *Id.* at 734. Neither *Hamilton* nor *Lowery* is relevant to this case. While a party may consent to personal jurisdiction by extensively participating in the litigation without timely seeking dismissal, this is not such a case. Here, NNC did not dally, but moved to dismiss on jurisdictional grounds at its earliest opportunity.

In sum, NNC complied with Rule 12(h)(1) by objecting to personal jurisdiction in its answer and amended answer. The mere fact that NNC included permissive counterclaims for declaratory judgment on the '085 and '769 patents cannot effect waiver of personal jurisdiction. Furthermore, NNC moved to dismiss the amended complaint under Rule 12(b)(2) within days of promptly obtaining the required leave from the district court. We thus affirm the district court's dismissal of RTI's first amended complaint and the so-called counterclaim-in-reply as to NNC for lack of personal jurisdiction over NNC.[6]

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[6] Even absent the jurisdictional defect, RTI's counterclaim-in-reply against NNC would fail on other grounds. Most notably, as RTI admits, the counterclaim-in-reply against NNC merely restates the same infringement claims already asserted in the first amended complaint. As such, it is wholly duplicative. Surely, the district court would not abuse its discretion in dismissing this pleading as redundant. Further, we question whether merely attaching the counterclaim as an exhibit to an opposition to a motion can constitute a proper filing with the district court. In view of the other infirmities plaguing RTI's counterclaim-in-reply, however, we need not resolve the soundness of its filing. Likewise, we need not reach RTI's arguments regarding the district court's denial of its motion for default judgment.

Moreover, we are unpersuaded by RTI's contention that the district court's *sua sponte* dismissal of its counterclaim-in-reply somehow deprived it of due process. Because NNC's permissive counterclaims did not submit it to jurisdiction in the United States District Court for the Eastern District of New York, the district court had no more authority to entertain RTI's so-called counterclaim-in-reply against NNC than it did to hear the amended complaint in the first place. RTI cites no authority, and we are aware of none, requiring the district court to give notice under such circumstances before dismissing this purported pleading.

III

RTI's counterclaim, in so far as it names NNI as a defendant, is also defective because it was untimely filed some four months after the June 24, 2003 deadline for joining additional parties without leave of court. The proper course of conduct for RTI would have been to seek leave of the district court to join NNI as a defendant to the suit prior to the June 24 cutoff.[7] RTI's failure to seek such leave, much less to do so in a timely fashion, renders its purported counterclaim-in-reply improper.

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[7] Even if the court's scheduling order were read, as RTI suggests, to permit joinder within thirty days of the court's ruling on NNC's motion to dismiss, the district court clearly stated that "[t]his latter provision is not intended to lift the 'good cause' standard for joinder motions." RTI provides no evidence that it met the "good cause" requirement when it submitted its counterclaim-in-reply. RTI, therefore, failed to demonstrate that its counterclaim-in-reply against NNI was otherwise properly filed.

The district court stated that because it was never served with process, "NNI is not now, no[r] has it ever been, a party to this action." RTI argues that dismissal was improper because it had 120 days to serve NNI and, in any event, the court must provide notice before *sua sponte* dismissing for failure to serve. *See* Fed. R. Civ. P. 4(m).[8] Because we hold that RTI's so-called counterclaim against NNI was improper as filed without leave of court, we need not reach that argument. Therefore, the district court did not abuse its discretion in dismissing the counterclaim-in-reply against NNI.

IV

Finally, we must dispense with RTI's discovery complaints. Despite its protests that it had no opportunity to conduct effective discovery, RTI points to no adverse discovery ruling by the district court, particularly no denial of any motion to enlarge discovery or compel production. As such, RTI presents nothing for us to review on appeal. Appellate courts are not in the business of redressing discovery discontents absent a reviewable order from a district court. Here, none exists.

We note, moreover, that RTI conducted seven months of discovery. In fact, only nine days after discovery commenced, RTI learned the corporate structure of the relevant Nortel group from deposing NNC's Rule 30(b)(6) representative. Mr. Powers testified that NNC wholly owns Nortel Networks

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[8] Fed. R. Civ. P. 4(m) states, in relevant part: "If service of the summons and complaint is not made upon a defendant within 120 days after the filing of the complaint, the court, upon motion or on its own initiative after notice to the plaintiff, shall dismiss the action without prejudice as to that defendant. . . ."

Ltd., which wholly owns NNI, the corporate entity that may have manufactured, used, sold, or offered for sale some of the accused products. RTI also knew of NNI's representative designated for receiving service of process. RTI, nevertheless, ignored this critical information and, therefore, has only itself to blame for missed discovery opportunities. In any event, we conclude that no discovery issue is properly before us on appeal.

CONCLUSION

For these reasons, the district court's dismissal of the entire action is *AFFIRMED.*

U.S. District Court
Eastern District of New York (Central Islip)
CIVIL DOCKET FOR CASE #: 2:02-cv-04570-LDW

Rates Technology Inc. v. Nortel Networks Corporation et al Date Filed: 08/16/2002

[Excerpts]

* * *

02/24/2003	42	Minute Entry: Before Arlene R. Lindsay on 2/24/03 at 11:00 a.m., civil cause for Telephone Status Conference. Case called. All counsel present. Conf. held. The following rulings were made: Joinder of additional parties due by 6/24/03. Additionally, this question may be revisited after Judge Wexler's resolution of outstanding dismissal motions. To extent counts are dismissed and require additional joinder, the parties will have 30 days after decision of these motions to request additional joinder. This latter provision is not intended to lift the "good cause" standard for joinder motions. Initial disclosure as well as responses to outstanding discovery requests from plaintiff are due 3/17/03. Plaintiff to resolve confidentiality issue by close of business 3/25/03. All fact Discovery due by 10/24/03. Expert Discovery to be completed by 12/31/03. Joint Pretrial Order due by 1/27/04 and Final Pretrial Conference set for 2/3/04 at 10:00 A.M. Briefing schedule on claim construction to be proposed by parties. Plaintiff's response on request for sanctions due 2/28/03. Reply by 3/5/03. Request to bifurcate liability/damages to

		be addressed to Judge Wexler's discretion. In the absence of a contrary ruling, all discovery will proceed as scheduled on all issues. So ordered (signed by Mag/ Judge Arlene R. Lindsay on 2/24/03) (Montero, Edher) Modified on 3/3/2003 (Montero, Edher). (Entered: 03/03/2003).

* * *

07/17/2003	85	Minute Entry: Before Arlene R. Lindsay on 7/17/03 at 11:00 a.m., civil cause for telephone status conf. Case called. All counsel present. Conf. held. The following rulings were made: 1) Discovery on a theory of contributory infringement may proceed requiring defts to produce customer information as requested. This information may, as appropriate, be designated "for attorney's eyes only". 2) Plaintiff may supplement rsonses to Interrogatories 11 & 15 concerning damages. Supplemental response due 8/5/03. 3) Telephone conf. of 8/19/03 is cancelled. A telephone conference will be held on 8/12/03 at 11:30 A.M. So ordered (signed by Mag/Judge Arlene R. Lindsay on 7/17/03) c/f (Montero, Edher) (Entered:08/19/2003)

* * *

08/11/2003	89	Minute Entry for proceedings held before Arlene R. Lindsay on 8/11/2003. As the parties have submitted letters indicating that there are outstanding discovery disputes, the telephone conference scheduled for 8/12/03 is adjourned to 9/3/03 at 2pm as an in-person conference. (Barhome, Sydelle) (Entered: 09/05/2003)

09/09/2003	90	ORDER: A status conf in the above-captioned case has been scheduled for 10/9/03 at 10:30 a.m. to be held in courtroom 810 in the US Federal Courthouse in CI. The parties should be prepared to address any outstanding discovery disputes. The deft. shall also inform the court as to the outcome of its motion to dismiss prior to the conf. So ordered (Signed by Judge Arlene R. Lindsay on 9/9/03) c/f (Montero, Edher) (Entered: 09/17/2003)

* * *

09/15/2003	91	ORDER denying [29] Motion to Dismiss: All pending motions are hereby denied without prejudice to automatic renewal upon the scheduling of oral argument; discovery is stayed pending the court's rulings on the motions to dismiss; the conf. currently scheduled to be held before Mag/Judge Lindsay on 10/9/03 is adjourned as are all other dates in this matter. So Ordered (Signed by Judge Leonard D. Wexler on 9/15/03). c/m (Mon-tero, Edher) (Entered: 09/17/2003)
09/22/2003	92	MEMORANDUM AND OPINION: (see Order for details) In light of the foregoing, the court issues the following order: Order argument will be held on Wednesday, 11/12/03 at 10:30 a.m.; The Court will give RTI the opportunity, prior to that date, to submit any evidence obtained in discovery that supports its allegation sof jurisdiction over NNC. Such evidence and any accompanying memorandum, shall be served on the Court and opposing counsel by

		10/15/03; NNC shall have the right to submit opposition to any such documentation to this Court, and opposing counsel, by 10/22/03; RTI shall have the right to reply to any such opposition by 10/29/03; The stay of discovery and adjournment of all court dates will remain in effect. SO ORDERED (Signed by Judge Leonard D. Wexler on 9/22/03) c/m (Montero, Edher) (Entered: 09/26/2003)

* * *

12/03/2003	101	Minute Entry: Before Leonard D. Wexler on 12/3/03 at 11:00 a.m., civil cause for Motion Hearing. Case called. Counsel present. Court Reporter Mary Ann Steiger. Defendant's Motion to Dismiss held. Motion argued. Motion granted as indicated on the record. Decision to be published. Motion hearing concluded. (Montero, Edher) (Entered: 01/05/2004)
12/04/2003		Judge Arlene R. Lindsay no longer assigned to case. (Lopez, Adriana) (Entered: 12/11/2003)
12/04/2003	102	ORDER: It is clear, therefore, that NNI is not now, or has it ever been, a party to this action. Thus, the successor status of NNI and/or any relationship between NNI and NNC has no relevance to this motion. For the foregoing reasons, defendant's Motion to Dismiss this action for lack of personal jurisdiction is granted. All other pending motions are denied as moot. The Clerk of the Court is directed to terminate all motions and to close the file in this case. SO ORDERED (Signed by Judge Leonard D. Wexler on

		12/4/03) c/m(Montero, Edher) (Entered: 01/05/2004)

* * *

01/08/2004		ENDORSED ORDER re [104]: Construing this document as a motion to reargue this Court's order of 12/4/03, the motin is hereby DENIED. SO ORDERED (Signed by Judge Leonard D. Wexler on 1/8/04) c/m (Montero, Edher) (Entered: 01/13/2004)

* * *

03/25/2004	113	ORDER denying [106] Motion for Sanctions: Upon consideration of those standards and the submissions of the parties, the court denies to impose sanctions in this matter. The motion is accordingly, denied. The Clerk of the court is directed to terminate the motion as denied. SO ORDERED (Signed by Judge Leonard D. Wexler on 3/25/04) c/m (Montero, Edher) (Entered: 03/31/2004)

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

---------- x

RATES TECHNOLOGY,

Plaintiff(s). ORDER

-against-

CV 02-4570 (LDW) (ARL)

NOTEL NETWORKS,

Defendant(s).

---------- x

The following rulings result from today's conference:

1) Plaintiff is to provide an analysis of its infringement claims by product and in detail based upon the 25-30 products previously identified as infringing. This analysis is due by July 25, 2003.

2) Plaintiff is directed to supply Defendant with a list of cases brought by Plaintiff pursuing violations of 668, 769 and 735 parents. Included in this submission should be the docket numbers if known, and copies of any settlement agreements (but not settlement amounts), license agreement or covenants not to sue reached in settlement of these suits and which are within Plaintiff's control. This submission is also due on July 25, 2003.

3) The damages discovery will be discussed further at a conference on July 17, 2003 at 10:30 a.m.

4) A telephone status conference will also be held on August 19, 2003 at 10 a.m. to establish a schedule for the Weinberger deposition.

5) Defendants to respond to outstanding interrogatory and document requests seeking information with respect to the 25-30 products which are sold or

manufactured by Nortel as that entity is defined in Paragraph 3, which would include Nortel entities beyond the actual holding company. This submission is due on July 25, 2003.

SO ORDERED

Dated: Central Islip, New York
June 27, 2003

/s/ Arlene Rosario Lindsay

ARLENE ROSARIO LINDSAY
United States Magistrate Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
Long Island Federal Courthouse
814 Federal Plaza
Central Islip, New York 11722-4451
(631) 712-5730

BEFORE: ARLENE R. LINDSAY USMJ

DATE: JULY 17, 2003
TIME: 11:00AM

DOCKET CV 02-4570 (LDW)

CAPTION: RATES TECH -V- NORTEL NETWORKS

___INITIAL CONFERENCE ___BY TELEPHONE
xx STATUS CONFERENCE
___SETTLEMENT CONFERENCE
___FINAL CONFERENCE
___OTHER

APPEARANCES:	FOR PLAINTIFF:	FOR DEFENDANT:
	Mr. Hicks	Mr. Gittes
	Ms. Toga	Mr. Dinenberg

___PRETRIAL SCHEDULING ORDER ADOPTED
___DISCOVERY COMPLETED
___PRETRIAL ORDER APPROVED
___CASE RETURNED TO ASSIGNED JUDGE FOR TRIAL/FINAL DISPOSITION
___CONFERENCE RESCHEDULED FOR _____
___PLAINTIFF IS DIRECTED TO PROVIDE A COPY OF THIS ORDER TO ALL PARTIES.

The following rulings were made:_____

1) Discovery on a Theory of contributory infringement may proceed requiring deft's to produce customer information

as requested. This information may as appropriate be designated "for attorney's eyes only".
2) Plaintiff may supplement responses to Inters. 11 & 15 concerning damages. Supp. response due 8/5.
3) Tel. conf of 8/19 is cancelled. A tel conf will be held 8/12 @ 11:30 AM

So ordered.

Arlene Rosario Lindsay

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
Long Island Federal Courthouse
814 Federal Plaza
Central Islip, NY 11722-4451
(631) 712-5730

BEFORE: ARLENE R. LINDSAY
United States
Magistrate Judge

DATE: 8/11/03

TIME: _____

DOCKET NO. CV 01-4570 LDW CASE: Rates Technology v. Nortel

___INITIAL CONFERENCE ___BY TELEPHONE
___STATUS CONFERENCE
___SETTLEMENT CONFERENCE
___FINAL CONFERENCE
_X_ORDER

APPEARANCES: FOR PLAINTIFF: FOR DEFENDANT:

___PRETRIAL SCHEDULING ORDER ADOPTED
___DISCOVERY COMPLETED
___PRETRIAL ORDER APPROVED
___CASE RETURNED TO ASSIGNED JUDGE FOR TRIAL/FINAL DISPOSITION
___CONFERENCE RESCHEDULED FOR _____
___PLAINTIFF IS DIRECTED TO PROVIDE A COPY OF THIS ORDER TO ALL PARTIES

The following rulings were made: As the parties have submitted letters indicating that there are outstanding discovery disputes, the telephone conference scheduled for

8/12/03 is adjourned to 9/03/03 at 2pm as an in-person conference.

So ordered.

Arlene Rosario Lindsay

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
X

RATES TECHNOLOGY, INC.,

Plaintiff,

ORDER
CV 02-4570
(LDW) (ARL)

-against-

NORTEL NETWORKS CORP.,

Defendant.
X

WALL, MagistrateJudge

A status conference in the above-captioned case has been scheduled for October 9, 2003 at 10:30 a.m., to be held in Courtroom 810 in the United States Federal Courthouse in Central Islip. The parties should be prepared to address any outstanding discovery disputes. The defendant shall also inform the court as to the outcome of its motion to dismiss prior to the conference.

Dated: Central Islip, New York
September 9, 2003

SO ORDERED

/s/ Arlene Rosario Lindsay
ARLENE ROSARIO LINDSAY
United States
Magistrate Judge

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

_____X

RATES TECHNOLOGY, INC.,

Plaintiff,

CV 02-4570
(Wexler, J.)

-against-

NORTEL NETWORKS CORPORATION,
and
VERIZON COMMUNICATIONS, INC.,

Defendants.

_____X

APPEARANCES:

ERVIN, COHEN & JESSUP, LLP
BY: JAMES B. HICKS, ESQ.
Attorneys for Plaintiff
9401 Wilshire Boulevard, 9th Floor
Beverly Hills, CA 90212

GIBBONS, DEL DEO, DOLAN, GRIFFINGER
& VECCHIONE
BY: MARVIN S. GITTES, ESQ.
Attorney for Defendants Nortel Networks
Corporation
One Penn Plaza, 37th Floor
New York, NY 10119

WEXLER, District Judge

There are presently pending before the court three motions directed to the pleadings. Specifically, Defendant Nortel Networks Corporation ("Nortel") has moved to dismiss for failure to state a claim and for lack of personal jurisdiction. Plaintiff has moved to dismiss certain of

Nortel's counterclaims. Although oral argument on these motions was scheduled for September 16, 2003, a conflict in scheduling has made that date impossible for one of the lead attorneys in this matter to attend. In light of that conflict, the dispositive nature of the pending motions and this court's schedule, the court issues the following ruling:

- All pending motions are hereby denied without prejudice to automatic renewal upon the scheduling of oral argument;
- discovery is stayed pending the court's rulings on the motions to dismiss
- the conference currently scheduled to be held before Magistrate Judge Lindsay on October 9, 2003 is adjourned as are all other dates in this matter.

SO ORDERED

/s/ Leonard D. Wexler
LEONARD D. WEXLER
UNITED STATES
DISTRICT JUDGE

Central Islip, New York
September 15, 2003

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
X

RATES TECHNOLOGY, INC.,

Plaintiff,

CV 02-4570
(Wexler, J.)

-against-

NORTEL NETWORKS CORPORATION,
and
VERIZON COMMUNICATIONS, INC.,

Defendants.
X

APPEARANCES:

ERVIN, COHEN & JESSUP, LLP
BY: JAMES B. HICKS, ESQ.
Attorneys for Plaintiff
9401 Wilshire Boulevard, 9th Floor
Beverly Hills, CA 90212

GIBBONS, DEL DEO, DOLAN, GRIFFINGER
& VECCHIONE
BY: MARVIN S. GITTES, ESQ.
Attorney for Defendants Nortel Networks
Corporation
One Penn Plaza, 37th Floor
New York, NY 10119

WEXLER, District Judge

This is a patent infringement case in which Plaintiff Rates Technology, Inc. ("RTI") alleges that Defendants infringed a patent entitled, "Telephone with Reiterative Dialing Device." Verizon Communications, Inc. has settled with RTI, leaving Nortel Networks Communications, Inc. ("NNC") as the sole remaining defendant.

NNC has submitted a motion dismiss the complaint and RTI has moved to dismiss certain of NNC's counterclaims. NNC has moved to dismiss: (1) for lack of personal jurisdiction pursuant to Rule 12(b)(2) of the Federal Rules of Civil Procedure and (2) for failure to state a claim pursuant to Rule 12(b)(6). RTI has moved to dismiss NNC's Lanham Act unfair competition counterclaim as well as NNC's claim for sanctions pursuant to Rule 11 of the Federal Rules.

Although this case was scheduled for oral argument on September 16, 2003, a scheduling conflict resulted in adjournment of that argument. This court thereafter issued an order denying all parties' motions to dismiss, without prejudice to renewal of such motions upon re-scheduling of the oral argument. The court's order stayed all further discovery in this matter and adjourned all court dates.

Upon review the parties' submissions, the court issues this memorandum and order regarding the personal jurisdiction issue. For the reasons set forth below, the stay of discovery and adjournment of all court dates shall remain in effect. However, the parties are granted the right to submit additional material, already obtained through discovery, prior to oral argument.

BACKGROUND

I. The Parties and Service on NNC

Plaintiff RTI is a Delaware corporation with its principal place of business located in Suffolk County, New York. As noted above, it commenced this action claiming infringement of a patent for a telephone with a particular

type of dialing device. Defendant NNC is a Canadian corporation with its principal place of business in Ontario.

This case was commenced by service of process on CT Corporation System ("CTCS"), in Dallas, Texas. Process was forwarded to counsel for NNC, located in New York. Upon receipt of the summons and complaint, counsel for NNC wrote to Plaintiff's counsel in a letter dated October 14, 2002 (the "October 14 Letter"). The October 14 Letter informed RTI that CTCS was not authorized to accept service on behalf of NNC, but stated that counsel would accept service of process for its client, provided that all documents and attachments were delivered to counsel and that the time to respond to the complaint be deemed to run from the time of counsel's receipt of those documents. The October 14 Letter alerted Plaintiff to the fact that although CTCS was not authorized to accept process on behalf of NNC, CTCS was authorized to accept service on behalf of a company known as Nortel Networks, Incorporated ("NNI"), a New York corporation. It was noted by counsel, however, that NNI was not named as a party to this action.

One week after October 14, counsel for NNC again wrote to RTI's counsel. This letter referred to the October 14 Letter and noted that RTI never responded to counsel's offer to accept process on behalf of NNC. Counsel's second letter to RTI stated his position that NNC had no obligation to respond to the improperly served process. The letter closed by asking RTI to advise counsel directly whether or not RTI intended to accept the offer set forth in the October 14 Letter.

RTI did not respond to the offers set forth in the October 14 and 21 letters. Instead, Plaintiff moved for a

judgment of default. This court declined to enter a default judgment and a conference was held. At that conference, several matters were discussed, including NNC's desire to move to dismiss for lack of personal jurisdiction. The parties were granted permission to make various motions. Pending the outcome of these motions, the parties were ordered to engage in discovery.

II. The Jurisdictional Allegations of the Complaint

Plaintiff's complaint acknowledges that NNC is a Canadian corporation with its principal place of business in Ontario, Canada. Jurisdiction is sought to be supported by the following allegations, each of which is derived from the long arm statute of the State of New York. *See* CPLR 302(a).

- that NNC transacts business within the State of New York or contracts elsewhere to supply goods or services in New York;
- that NNC committed tortious acts outside of New York, causing injury to Plaintiff within New York;
- that NNC regularly conducts and solicits business, and engages in other persistent course of action or derives substantial revenue from goods used within New York;
- that NNC expects or reasonably should have expected the acts committed by it to have consequences in New York and NNC derives substantial revenue from interstate or international commerce.

The factual allegations asserted in support of the general jurisdictional allegations set forth above include

the assertions that NNC "manufactured, made, used, sold, offered to sell and/or imported" infringing products. Although the complaint refers to NNC as the successor in interest to Northern Telecom, there is no factual elaboration on this issue. Additionally, the complaint states that NNC "operates through various subsidiaries and divisions." However, none of these subsidiaries or divisions are named as parties.

III. NNC's Motion to Dismiss and RTI's Opposition

As noted, NNC has submitted a motion to dismiss RTI's complaint for, *inter alia*, lack of personal jurisdiction. In support of its motion NNC has submitted affidavits setting forth the activities of the company as well as details regarding the company's corporate structure. As set forth in greater detail below, NNC's allegations negate completely the jurisdictional allegations of the complaint. NNC states that it does not currently, nor is it the successor in interest, to any company that did any kind of business in New York – much less engage in the infringing activities set forth in the complaint.

In opposition to the motion RTI has submitted the factual affidavit of its attorney. In addition to restating the infringement allegations of the complaint, the attorney affidavit states that he has "personally observed several of Nortel's predecessors' infringing products which were sold in this district. . . ." RTI's attorney affidavit further refers to the fact that discovery was in its early stages and that

he expected to obtain further information in support of jurisdiction as discovery progressed.[1]

DISCUSSION

I. Legal Principals

A. Standards on a Rule 12(b)(2) Motion to Dismiss for Lack of Personal Jurisdiction

A motion to dismiss is properly granted only if "it appears beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief." *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957); *Bernheim v. Litt*, 79 F.3d 318, 321 (2d Cir. 1996). When ruling on a motion to dismiss, the court must accept as true all factual allegations in the complaint. All reasonable inferences must be drawn in favor of the non-moving party. *Hamilton Chapter of Alpha Delta Phi, Inc. v. Hamilton College*, 128 F.3d 59, 62 (2d Cir. 1997). It is not for the court to "weigh the evidence that might be presented at trial; the Court must merely determine whether the complaint itself is legally sufficient . . . " *Rodolico v. Unisys Corp.*, 96 F. Supp.2d 184, 186 (E.D.N.Y. 2000).

A motion to dismiss for lack of personal jurisdiction may be defeated by the good faith pleading of "legally sufficient allegations of jurisdiction." *Teachers' Retirement System of Louisiana v. A.C.L.N. Limited*, 2003 WL 21058090 *7 (S.D.N.Y. May 15, 2003). Prior to discovery and in the absence of a hearing, a plaintiff is required only

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[1] RTI also argues that NNC's participation in this lawsuit has resulted in a waiver of the right the object to this court's exercise of personal jurisdiction. The court rejects this waiver argument as belied completely by the record.

to make a *prima facie* showing of jurisdiction. Such a showing is made by the allegations set forth in the pleadings as well as by affidavit. While this showing is minimal, plaintiff is required to at least set forth factual allegations, and not just legal conclusions. *Id.*

On the other hand, where the parties have engaged in discovery, plaintiff can defeat a Rule 12(b)(2) motion only if facts can be averred that, if established, would be sufficient to establish jurisdiction. *SEB, S.A. v. Montgomery Ward & Co. Inc.*, 2002 WL 31175244 *2 (S.D.N.Y. October 1, 2002). Once discovery is taken, plaintiff's *prima facie* showing must be "factually supported." *Aerotel, Ltd. v. Sprint Corporation*, 100 F.Supp.2d 189, 193 (S.D.N.Y. 2000).

B. Standards for Exercise of Personal Jurisdiction

In a patent case, personal jurisdiction can be exercised: (1) if jurisdiction exists pursuant to the law of the forum state and (2) the exercise of such jurisdiction is consistent with the Due Process clause of the United States Constitution – that is, if the exercise of jurisdiction does not upset fundamental notions of and fair play and substantial justice. *See Purdue Pharma, L.P. v. Impax Laboratories, Inc.*, 2003 WL 22070549 *2 (S.D.N.Y. September 4, 2003); *Meteoro Amusement Corp. v. Six Flags*, 267 F.Supp2d 263, 267 (S.D.N.Y. 2003); *Aerotel, Ltd. V. Sprint Corporation*, 100 F. Supp.2d 189, 191 (S.D.N.Y. 2000); *see also, Aspex Eyewear, Inc. v. Miracle Optics, Inc.*, 2001 WL 146732 *1 (S.D.N.Y. November 19, 2001).

1. New York Long Arm Jurisdiction

RTI attempts to support the exercise of jurisdiction over non-domiciliary NNC by relying on New York's long arm statute. CPLR § 302(a) ("Section 302"). Specifically, RTI alleges that jurisdiction may be exercised because: (1) NNC transacts business in New York, *see* CPLR § 302(a)(1); and/or (2) NNC committed a tortious act within New York, *see* CPLR § 302(a)(2) and/or (3) NNC committed a tortious act outside of New York and either regularly does business or derives substantial revenue from goods used in New York, or expects or reasonably should expects the tortious act to have consequences in New York and derives substantial revenue from interstate or international commerce, *see* CPLR § 302(a)(3).

II. Legal Issues Presented by the Motion and the Submission of Additional Material

NNC's affidavits describe, without contradiction by RTI, the corporate structure of NNC. Specifically, NNC states that it is a holding company that does nothing more than own the stock of other companies. NNC has also made clear the fact that it has no direct contacts with the State of New York. It is not authorized to do business here, has no New York employees and maintains neither a New York office nor a New York bank account. Further, NNC states that it is not the successor in interest to any company that manufactured, used or sold any products in New York, including those products alleged to have infringed on RTI's patent.

RTI makes no attempt to counter these allegations, choosing instead to refer vaguely to NNC in general terms as "Nortel," and to argue that counsel has "personally

observed" NNC's predecessors infringing the patents at issue.

Upon review of the papers submitted it has become clear to the court that jurisdiction over NNC, if it exists, must be established through the acts of NNC's subsidiaries. Thus, the issue will be whether the acts of NNC's subsidiaries and the relationship between these entities and NNC, their parent company, are sufficient to establish jurisdiction over NNC.

In patent cases, courts will recognize and uphold the separateness of corporate entities "unless specific, unusual circumstances call for an exception." *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 552 (Fed. Cir. 1990) (referring to standard for imposition of personal liability on corporate officers). Moreover, under New York law, the acts of a subsidiary will support jurisdiction only if the subsidiary is deemed to be an agent or a "mere department" of the parent corporation. *See Meteoro*, 267 F. Supp.2d at 270-71; *Aerotel*, 100 F. Supp.2d at 193-94. Facts important to consider in this analysis include: (1) common ownership; (2) financial dependency; (3) "the degree to which the parent corporation interferes in the selection and assignment of the subsidiary's executive personnel and fails to observe corporate formalities," and (4) "the degree of control over the marketing and operational policies of the subsidiary exercised by the parent." *Aerotel*, 100 F. Supp.2d at 194, quoting, *Jazini v. Nissan Motor Co., Ltd.*, 148 F.3d 181, 184-85 (2d Cir. 1988), quoting, *Volkswagenwerk Aktiengesellschaft v. Beech Aircraft Corp.*, 751 F.2d 117, 120-22 (2d Cir. 1984).

To date, RTI has failed to submit any evidence contradicting NNC's motion. The court notes, however, that while this motion was pending, the parties have been

engaging in discovery. Since the motion has been briefed, RTI has had the opportunity to depose NNC. Additionally, NNC has produced thousands of pages of documents to RTI. Testimony and documents obtained through discovery may very well change the outcome of this motion. Additionally, having had the opportunity to take discovery places a somewhat higher burden on RTI to establish jurisdiction.

In light of the foregoing, the court issues the following order:

- Oral argument will be held on Wednesday November 12, 2003 at 10:30 A.M.
- The court will give RTI the opportunity, prior to that date, to submit any evidence obtained in discovery that supports its allegations of jurisdiction over NNC. Such evidence and any accompanying memorandum, shall be served on the court and opposing counsel by October 15, 2003;
- NNC shall have the right to submit opposition to any such documentation to this court, and opposing counsel, by October 22, 2003;
- RTI shall have the right to reply to any such opposition by October 29, 2003;
- The stay of discovery and adjournment of all court dates will remain in effect.

SO ORDERED

/s/ Leonard D. Wexler
LEONARD D. WEXLER
UNITED STATES
DISTRICT JUDGE

Central Islip, New York
September 22, 2003

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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RATES TECHNOLOGY INC.,

Plaintiff,

CV 02-4570
(Wexler, J.)

-against-

NORTEL NETWORKS CORPORATION, and VERIZON COMMUNICATIONS, INC.,

Defendant.

----------X

APPEARANCES:

ERVIN, COHEN & JESSUP, LLP
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9401 Wilshire Boulevard, 9th Floor
Beverly Hills, CA 90212

GIBBONS, DEL DEO, DOLAN, GRIFFINGER & VECCHIONE
BY: MARVIN S. GITTES, ESQ.
Attorney for Defendants Nortel Networks Corporation
One Penn Plaza, 37th Floor
New York, NY 10119

WEXLER, District Judge

This is a patent infringement case in which Plaintiff Rates Technology, Inc. ("RTI") alleges infringement of a patent entitled, "Telephone with Reiterative Dialing Device." Verizon Communications, Inc. has settled with RTI, leaving Nortel Networks Communications, Inc. ("NNC") as the sole remaining defendant.

NNC has submitted a motion dismiss the complaint and RTI has moved to dismiss certain of NNC's counterclaims. NNC has moved to dismiss: (1) for lack of personal jurisdiction pursuant to Rule 12(b)(2) of the Federal Rules of Civil Procedure and (2) for failure to state a claim pursuant to Rule 12(b)(6). RTI has moved to dismiss NNC's Lanham Act unfair competition counterclaim as well as NNC's claim for sanctions pursuant to Rule 11 of the Federal Rules.

In a memorandum and order dated September 22, 2003, (the "September 22 Order") this court focused on the issue of personal jurisdiction over NNC. The court outlined the relevant law and scheduled oral argument on all outstanding motions. Additionally, the court granted the parties the right to submit additional material, already obtained through discovery, prior to argument. Upon consideration of the parties' submissions as well as hearing oral argument, the court now grants NNC's motion to dismiss for lack of personal jurisdiction.

DISCUSSION

I. Standards on a Rule 12(b)(2) Motion to Dismiss for Lack of Personal Jurisdiction

A motion to dismiss for lack of personal jurisdiction may be defeated by the good faith pleading of "legally sufficient allegations of jurisdiction." *Teachers' Retirement System of Louisiana v. A.C.L.N. Limited*, 2003 WL 21058090 *7 (S.D.N.Y. May 15, 2003). Prior to discovery and in the absence of a hearing, a plaintiff is required only to make a *prima facie* showing of jurisdiction. Such a showing is made by the allegations set forth in the pleadings as well as by affidavit. While this showing is minimal,

plaintiff is required to at least set forth factual allegations, and not just legal conclusions. *Id.*

Where, as here, the parties have engaged in discovery, plaintiff can defeat a Rule 12(b)(2) motion only if facts can be averred that, if established, would be sufficient to establish jurisdiction. *SEB, S.A. v. Montgomery Ward & Co., Inc.*, 2002 WL 31175244 *2 (S.D.N.Y. October 1, 2002). Once discovery is taken, plaintiff's *prima facie* showing must be "factually supported." *Acrotel, Ltd. v. Sprint Corporation*, 100 F.Supp.2d 189, 193 (S.D.N.Y. 2000).

II. NNC Has Not Waived the Defense of Lack of Personal Jurisdiction

RTI argues that NNC's participation in this action has resulted in a waiver of NNC's right to object to the exercise of personal jurisdiction. The court disagrees. It is well settled that a party that properly objects to jurisdiction may "fully participate in the litigation without waiving the objection." *Donk v. Miller*, 2000 WL 218400 (S.D.N.Y. 2000). *Hamilton v. Atlas Turner, Inc.*, 197 F.3d 58 (2d Cir. 1999), relied upon by RTI does not require a contrary result. There, the court held that defendant's four year participation in the case without ever raising a personal jurisdiction defense resulted in a waiver. Here, NNC has made clear since the inception of this litigation, that it objects to the exercise of personal jurisdiction. Indeed, at the first conference held before this court, NNC made clear that it would be moving to dismiss this matter for lack of personal jurisdiction. There has been no waiver.

III. This Court Lacks Personal Jurisdiction Over NNC

NNC is a Canadian corporation with its principal place of business in Ontario, Canada. It is RTI's position that personal jurisdiction over NNC exists on the ground that NNC is the successor corporation to a company that either sold, manufactured or used the allegedly infringing products in the State of New York. NNC denies that it is the successor to any such corporation. Despite NNC's extensive production of documents and that company's production of a witness pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure, RTI has failed to come forward with facts or documents in support of its successor corporation theory.

Under these circumstances, the court holds that RTI has not sustained its burden of demonstrating personal jurisdiction over NNC. Instead, the court finds that despite the discovery taken by RTI, there have been no facts presented to contradict the following facts set forth by NNC:

- NNC is a Canadian holding company that holds the stock of other companies;
- NNC conducts its Canadian operations through its principal operating subsidiary, Nortel Networks, Ltd. ("NNL");
- NNC has no employees;
- NNC is not licensed to do business in New York;
- NNC does not operate, and has never operated any facility within the State of New York;

Most importantly, there is nothing to contradict NNC's statement that it is not the successor in interest to any company that manufactured, used, or sold the

allegedly infringing products in this state. In view of these facts, the court grants the motion of NNC to dismiss for lack of personal jurisdiction.

IV. NNC's Related United States Corporation

There is one final matter worth noting. NNC has long made clear that it has a completely independent United States subsidiary known as Nortel Networks, Inc. ("NNT"). NNI is a wholly owned subsidiary of NNL (the Canadian company through which NNC conducts its Canadian operations). RTI has never taken the position that NNI is a "mere department" of its parent, NNC, so as to make the exercise of jurisdiction over NNC appropriate because of the New York activities of NNI. *See Meteoro Amusement Corp. v. Six Flags*, 267 F.Supp2d 263, 270-71 (S.D.N.Y. 2003) (acts of a subsidiary will support jurisdiction over a parent only if the subsidiary is deemed to be an agent or a "mere department" of the parent corporation). Nor has RTI alleged that NNI is the successor corporation to any company that sold allegedly infringing products in this jurisdiction. Indeed, Plaintiff made no such allegation at oral argument.

Any allegations regarding the corporate structure of NNC with respect to NNI is, however, irrelevant to this motion. This is because despite the fact that Plaintiff has long known of the existence of NNI, it has never taken action to properly name and serve NNI as a defendant in this lawsuit. At argument RTI referred to NNI as a defendant named on a counterclaim. Upon questioning by the court, counsel for RTI admitted, however, that NNI was never served with any process in this matter. It is clear, therefore, that NNI is not now, now has it ever been, a

party to this action. Thus, the successor status of NNI and/or any relationship between NNI and NNC has no relevance to this motion.

CONCLUSION

For the foregoing reasons, Defendant's motion to dismiss this action for lack of personal jurisdiction is granted. All other pending motions are denied as moot. The Clerk of the Court is directed to terminate all motions and to close the file in this case.

SO ORDERED

/s/ Leonard D. Wexler
LEONARD D. WEXLER
UNITED STATES DISTRICT JUDGE

Central Islip, New York
December 4, 2003

[Handwritten Order by Judge Wexler]

Construing this document as motion to re-argue this court's order of 12/4/03, the motion is hereby DENIED

So Ordered:

/s/ Leonard D. Wexler
Central Islip, NY
1/8/04

Excerpt from the Transcript Tape of the
January 11, 2005 Oral Argument before the United
States Court of Appeals for the Federal Circuit

* * *

Mr. Gittes: Good morning your honors, we're representing Northern Nortel Networks Corporation. We're going to attempt to simplify some of the letter designations what we'll throw out during the course of discussion. I would like to tell you that Nortel Networks Corporation, NNC, is a Canadian holding company who owns 100% of the Canadian operating company Nortel Networks Limited, NNL, and that company owns 100% of U.S. operating company Nortel Networks, Inc., NNI. That is established in an affidavit which is in the record at page 208 to 10, but I thought it would simplify things. The issue before the Court today is did the trial court properly dismiss the Plaintiff's amended complaint for lack of personal jurisdiction? Did the trial court properly dismiss RTI's alleged counterclaim?

Judge Rader: Why can't this court look past some of the technicalities and say look, they were trying to sue Nortel, they got close enough?

Mr. Gittes: There was no personal jurisdiction over NNC at any time your honor.

Judge Rader: That's not really the question I asked. Of course, I'm taking that into account, and I'm saying, why didn't they, why can't we in a sense kind of pierce through these multiple layers of corporate governments and say they were suing Nortel, didn't they get close enough?

Mr. Gittes: Well, they did not get close enough, they would have had to sue NNI which they were invited to. . . .

Judge Rader: Which is 100% held by NNC, which is 100% held by NNI, whatever, but why didn't, they missed an initial or whatever, why can't the court look at that?

Mr. Gittes: These three companies have always maintained separate corporate formalities for certain corporations. The law is pretty clear that a parent is not liable for the subsidiary, and I believe that's what you're saying, can't we hold the parent liable for the acts of the subsidiary? And the answer is no.

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